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TRADE AND DEVELOPMENT BOARD

REPORT OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON FURTHER PROMOTION OF INTER-SYSTEMS TRADE

Held at the Palais des Nations, Geneva,
from 27 November to 1 December 1989

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INTRODUCTION

1. In an opening statement, the Director, Associate Co-ordinator, International Trade Programmes, observed that the current meeting was being held during a time when profound changes were taking place both in the socialist countries and in the environment of inter-systems trade. The atmosphere of confrontation in political and economic relations, in particular in East-West relations, was rapidly changing into one of understanding and co-operation.

2. These changes opened new visions for the development of inter-systems trade. But during the transition period, the socialist countries and other participants in inter-systems trade were encountering many kinds of problems, most of which are not at all easy to solve. The meeting was therefore particularly timely, in order to assess the situation, as well as to consider what role UNCTAD could play to help member countries understand and cope with the changes and overcome the difficulties.

3. Reviewing the documentation, he felt the Group might wish to base its analysis on the secretariat report "Trends and policies in trade and economic co-operation among countries having different economic and social systems" (TD/B/1195).

4. In reviewing recent developments, he recalled that, after a modest upswing in 1988 the overall economic growth of the socialist countries of Eastern Europe had slowed down in 1989. At the same time new measures had been adopted by the majority of them to accelerate the restructuring of the management of their domestic economies and foreign trade sectors. These measures were primarily directed towards decentralization of economic decision-making, substantive softening or abolition of the State monopoly on foreign trade, liberalization of the joint venture legislation, etc.

5. Inter-systems trade had continued to grow in value, both in 1988 and 1989. However, its share in world trade was stagnating and the share of the East in both exports and imports of developing countries was falling. The aggregate deficit in the balance of trade of the developing countries with the socialist countries of Eastern Europe had grown to approximately $US 11.6 billion in 1988, up from 10.5 billion in 1987, which was mainly attributable to the surplus achieved by the USSR.

6. The development assistance of some socialist countries, and particularly of the Soviet Union to the developing countries, had risen again in 1988, but domestic economic difficulties in Eastern Europe might limit further growth in this direction.

7. The exports of the socialist countries to the developed market-economy countries had grown in 1988 and the first half of 1989, but imports had increased even faster. These developments could partly be attributed to the further worsening of the terms of trade of the Soviet Union in 1988. Convertible currency constraints together with languid exports remained a serious obstacle for a sustained expansion of this trade.

8. Prospects for the future development of inter-systems trade would depend on three main groups of factors: the success of the restructuring process in

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the socialist countries; the overall developments in the world economy and particularly in world trade; and current and future measures taken for the support and normalization of inter-systems trade in the context of the world economy.

9. In elaborating the elements of a draft Programme for the further promotion of inter-systems trade, in particular East-South trade, the Group might wish to bear in mind the work done on the informal text annexed to Conference decision 145 (VI), the ideas in the secretariat document TD/B/1104/Rev.1, as well as the suggestions drafted by Groups B, D and 77, annexed to Board decisions 356 (XXXIV) and 368 (XXXV).

10. The Group might also take into account the preliminary information provided by the Secretary-General of UNCTAD on his consultations with Governments concerning the further strengthening of inter-systems trade, as well as the response to the note verbale of UNCTAD (TD/820/5(5)) of 9 March 1989 in this regard.

11. Further to the above tasks, the Group might wish, through the Trade and Development Board, to make recommendations, and give guidance to the secretariat's research work in the field of inter-systems trade and to discuss possible ways and means of expanding, diversifying and improving the efficacy of the UNCTAD secretariat's technical co-operation activities aimed at promoting East-South trade.

12. The Group's task was very heavy and demanding so that a pragmatic, rather than ambitious approach would be more constructive. What might be needed was a programme of work for UNCTAD designed in a way which would guarantee expansion of inter-systems trade, in particular East-South trade, by removing existing obstacles, by a wider geographical distribution, by improved market access and by developing new forms of co-operation.

Oral report on further promotion of inter-systems trade

13. In the oral report made by the Director, Associate Co-ordinator, International Trade Programmes, a plan of action on assessment of the UNCTAD technical assistance programme for the promotion of trade with countries of Eastern Europe was highlighted. Pursuant to Board decision 368 (XXXV), paragraphs 11-12, the necessary arrangements for this assessment had been made and included a mission, headed by an external consultant, to selected developing and socialist countries, as well as to United Nations economic commissions, during the first quarter of 1990 in order to collect views and suggestions of Governments and other organizations regarding future UNCTAD technical assistance activities and to submit them to a special workshop to be organized by UNCTAD.

14. Specialists of developing and socialist countries as well as representatives of United Nations regional commissions, the ITC, UNCTAD/GATT and UNDP would be actively involved in this workshop with the main task of making an assessment of the UNCTAD technical assistance programme in the field of inter-systems trade during the recent period, reviewing future orientations and needs, and elaborating further proposals on the programme for the forthcoming period.

Preliminary report by the Secretary-General of UNCTAD on consultations with Governments for further strengthening of inter-systems trade

15. The secretariat delivered a preliminary report by the Secretary-General of UNCTAD on his consultations with Governments for further strengthening of inter-systems trade pursuant to paragraph 105 (27) of the Final Act of UNCTAD VII and paragraph 3 of Board decisions 356 (XXXIV) and 368 (XXXV). Consequent upon his consultations with regional groups and China the Secretary-General had sent a note verbale to member States, expressing the hope that Governments of countries taking part in inter-systems trade, in particular East-South trade, would evaluate their experience and approaches with a view to further strengthening trade relations, taking account of structural changes and policy reforms in the economies of trading partners. So far 13 Governments had responded, stating inter alia that they attached great importance to UNCTAD's activities in the area of inter-systems trade and that responsibility for the fulfilment of UNCTAD's mandate and subsequent resolutions and decisions on this item remained with UNCTAD, at both the intergovernmental level and that of the secretariat. Most of them also conceded that, although East-South trade had expanded, its present level was neither commensurate with the needs of the countries nor with the possibilities which the partners could offer each other. Moreover, East-South trade was concentrated among a few countries and there was a need for its geographical expansion.

16. The result of the consultations largely revealed that there was no need for elaboration of a programme which would embody formulation of any new regulations and rules to govern inter-systems trade.

17. There was, however, need for formulation of a programme of work for UNCTAD. Such a programme should be designed in a way which would guarantee expansion of inter-systems trade, and in particular East-South trade, by removing existing obstacles, a wider geographical distribution and improved market access. The programme could incorporate a list of specific and practical measures to be carried out within the framework of UNCTAD. These measures could include analysis of the respective needs and possibilities of the various groups of countries and preparations of relevant studies.

18. As to technical assistance, the responding countries suggested, inter alia, that the UNCTAD secretariat could also assist the developing countries by intensifying its technical assistance programme in this area so that the developing countries could benefit from the process of economic reforms in the socialist countries.

19. At the request of the expert from the United States, the secretariat distributed informally statistical information on inter-systems trade up to 1988.

Chapter I

ANALYSIS AND EVALUATION OF THE EXISTING AND EVOLVING TRENDS AND POTENTIAL FACTORS RELATED TO INTER-SYSTEMS TRADE, WITH A VIEW TO IDENTIFYING THE PROBLEMS AND CONSTRAINTS WITHIN INTER-SYSTEMS TRADE, AS WELL AS THE POTENTIAL AREAS AND NECESSARY CONDITIONS FOR FURTHER EXPANSION OF THAT TRADE INCLUDING, INTER ALIA, PREFERENCE SCHEMES, FINANCING OF INTER-SYSTEMS TRADE AND ECONOMIC CO-OPERATION, INCLUDING PAYMENT ARRANGEMENTS AND JOINT VENTURES

(Agenda item 3)

ELABORATION OF ELEMENTS OF A DRAFT PROGRAMME FOR FURTHER PROMOTION OF TRADE AND ECONOMIC CO-OPERATION AMONG COUNTRIES HAVING DIFFERENT SYSTEMS, IN PARTICULAR EAST-SOUTH TRADE

(Agenda item 4)

RECOMMENDATIONS TO THE TRADE AND DEVELOPMENT BOARD AS TO THE ORIENTATIONS OF THE RESEARCH WORK OF THE SECRETARIAT, PROPOSALS FOR TECHNICAL ASSISTANCE ACTIVITIES AND THE TREATMENT OF SPECIFIC ISSUES TO BE INCLUDED AS ELEMENTS OF THE PROGRAMME

(Agenda item 5)

20. The expert from the Group of 77 (Egypt) said that the purpose of his statement was to highlight the steps his Group perceived necessary to strengthen inter-systems trade in the light of certain developments and changes that had taken place both in a number of partner countries and in the pattern of such trade and economic and financial co-operation.

21. It was important to study ongoing adjustment programmes and economic reforms under implementation in a number of partner countries and their implications for inter-systems trade, technical and economic co-operation as well as resource flows and obtain assurances that they would contribute positively to the promotion of such trade, particularly East-South trade. To that end, it was necessary that the Board regularly receive the relevant reports of the ECE.

22. There was a need for further expansion and diversification of East-South trade combined with the working out of alternative strategies to deal with constraints to such trade, which included its limited geographical distribution, deficits suffered by developing countries and the modest share of manufactures and semi-manufactures in imports from developing countries by the socialist countries. In that regard, improved market access and expansion of preferential treatment were important. There was need for examination of the possibilities of co-operation among economic groupings of socialist countries and interregional, regional and subregional groupings of developing countries, further co-operation in the areas of transfer of technology, joint ventures and co-production, and potentials for bilateral, tripartite and multilateral East/South co-operation.

23. There should be regular multilateral consultations among partners to review developments and problems in the field of inter-systems trade taking into consideration the needs of developing countries. The Board should continue regularly to assess progress in UNCTAD's work on inter-systems trade and economic co-operation, particularly between the East and the South.

24. The establishment of a trade information system in UNCTAD on data related to inter-systems trade, and economic, financial and technical co-operation should help to promote such co-operation. UNCTAD's technical assistance would be needed to help developing countries to derive benefits from reforms taking place in socialist countries of Eastern Europe.

25. The Group of 77 took note of the interim report by the Secretary-General of UNCTAD on the outcome of his consultations on inter-systems trade. Continuous co-ordination was needed between UNCTAD, UNDP, ITC and United Nations regional commissions on promoting inter-systems trade, particularly East-South trade.

26. The expert from Group B (United Kingdom) said that Group B wished to reaffirm its encouragement of and support for the dramatic changes occurring in Eastern Europe. The work of the Intergovernmental Group presented an opportunity to relate the changes in Eastern Europe to the future work programme of UNCTAD and, more importantly, to the trade and development prospects of the developing countries through their economic relations with the countries of Eastern Europe. Consideration should also be given to the future of inter-systems trade as an item on the Board's agenda and to possible changes in the way the item should be discussed at the Board's next session.

27. Previous Board decisions and texts on inter-systems trade were now outdated, and future work should focus clearly on the structural changes in the economies of the Eastern European countries. A detailed analysis by the secretariat should lead to an assessment of the impact of those changes on the prospects for trade and development of the developing countries, particularly in respect of trade in commodities and manufactures. More emphasis should be placed on the analytical work of the secretariat, and within the technical assistance programme seminars should take place in the developing countries.

28. Group B wished to pose a number of questions to generate discussion. For example, how would reforms in Eastern Europe aimed at increasing enterprises' autonomy affect Group D's economic co-operation with the developing countries? With intra-CMEA trade, as well as CMEA trade with the developing countries, turning towards payment in convertible currencies, how could work in UNCTAD help identify solutions to the payments problems in East-South trade? The restructuring of most Group D countries included plans for larger imports of manufactures; what opportunities would this present to the developing countries, and how could UNCTAD encourage such imports?

29. TD/B/1195 noted that "the difference in the country coverage of the GSP schemes of the Group D countries show that the beneficiary lists of some socialist countries could be further extended". What impact would the extension of the GSP beneficiary lists have on the trade of developing countries? If the trade of CMEA countries became less highly concentrated among the CMEA countries themselves, what opportunities would be presented to the developing countries? What impact would rising environmental concerns in

Eastern Europe have on Group D trade with the developing countries? What would the likely impact be on the trade of the developing countries of further efforts in Eastern Europe to reduce government subsidies and to increase the size of the private sector, and what would be the effects of price reform on the trade with the developing countries? With some countries of Eastern Europe actively considering privatization and market-oriented reforms, could UNCTAD assist in that process by analysing the earlier experiences of those developing countries? And finally, how could the developing countries take advantage of the rapid changes in Eastern Europe? It was important that, in tackling these problems, UNCTAD should not lag behind.

30. The expert from Bulgaria, speaking on behalf of participating experts from Group D (except Hungary) said that East-West-South trade was an integral part of international trade, in which all trade flows were increasingly interdependent. East-West-South trade was affected by all the factors that affected other trade flows and should be examined in that context. It was in addition particularly sensitive to developments in the political climate. The socialist countries in Eastern Europe had embarked on profound reforms, with the common feature of the process of economic restructuring being the drive to ensure economic efficiency through greater reliance on market-based incentives. In many instances, the unfavourable external economic environment had had an adverse effect on the economic development and trade promotion efforts of the participating countries members of Group D (except Hungary), and the benefits of those efforts would therefore come only in the middle and long term. The primary responsibility for the success of the process naturally lay with the reforming countries themselves, but success would be of benefit to all countries.

31. In elaborating a work programme in the field of East-West-South trade, the Intergovernmental Group should formulate guidelines for the work of the UNCTAD secretariat which corresponded to the current situation and which took account of all trade flows and of the interests of all countries. The programme could cover orientations for the secretariat's research work and technical assistance.

32. With regard to research and analysis, the secretariat's work could cover: (i) the impact on the prospects for promoting East-West-South trade of such factors as: interdependence, the trade policy environment, indebtedness, financial and monetary issues, technological change and transfer of technology, environmental protection; major integration processes; and structural adjustment and reform measures in individual countries in all parts of the world; (ii) the enhancement of inter-systems trade and economic co-operation, in particular between socialist countries of Eastern Europe and developing countries, particularly in terms of intensification of industrial co-operation, including joint ventures, the possibilities of free economic zones, tripartite co-operation, leasing, etc.; co-operation between regional economic groupings; the role of GSP schemes in promoting developing countries' exports of manufactures; demand in Eastern Europe for commodities of major export interest to developing countries; competitiveness of goods exported from developing countries, as well as from socialist countries of Eastern Europe; the utilization of opportunities offered by the growing economic, technological and investment potential of some developing countries.

33. With regard to technical assistance, his Group attached great importance to activities in that field, since they helped identify sectors for mutual co-operation and helped inform representatives from developing countries of the reform process in Eastern Europe and of the legal requirements relating to economic co-operation. That traditional approach could remain an important part of future technical assistance activities. In addition, it might be useful to envisage the participation of developed market-economy countries in such activities on topics of common interest.

34. The expert from China noted that inter-systems trade, despite its small volume, constituted a part of international trade and deserved to be further developed. She hoped that the structural adjustment now under implementation in many socialist countries of Eastern Europe would create more possibilities for further expansion and diversification of such trade, particularly East-South trade. Referring to the necessity for formulation of a programme on the subject, she believed it should include some key provisions which should enable further strengthening of the trade and economic co-operation among countries having different systems, especially East-South trade. Technical assistance activities in this field needed to be continued and intensified as contributory factors for such an expansion. China was ready to continue and expand its trade and economic relations with all countries, on the basis of equality of benefit and for common development.

35. The expert from Hungary observed that the process of economic reform initiated in Hungary more than two decades earlier had gained new momentum in the second half of the 1980s, when it had become apparent that the full attainment of the set objectives required substantial further changes in all fields of the economy and also in the political institutions.

36. There was ample proof that, in objectively assessing the situation, one could not detect such so-called "systemic" differences as would warrant a specific examination of trade and economic relations between Hungary on the one hand and all developed market economies and developing countries on the other. Those trade flows were an integral and inseparable part of world trade and governed by the same multilateral rules and disciplines. Consequently, the terminology "trade among countries having different economic and social systems" made no practical sense for his country and he was not in a position to take part in the elaboration of any programmes for promoting inter-systems trade, whether East-West or East-South.

37. Problem-specific areas within the competence of UNCTAD (e.g. interdependence, debt, protectionism and structural adjustment, etc.) offered suitable opportunities for the secretariat and intergovernmental machinery to take adequately into account all relevant features of and developments in the Hungarian economy. Particular problems and opportunities for trade expansion should be analysed in that context.

38. He emphasized that Hungary's full integration into the world economy meant intensified trade and economic co-operation with all countries. His Government remained committed to improving economic relations, both bilaterally and multilaterally, and fully recognized UNCTAD's role in promoting trade and development for the benefit of all.

39. The expert from France, speaking on behalf of the European Economic Community, said that UNCTAD, the most appropriate forum for North-South debate, fostered a new awareness and fresh evaluations of generally accepted ideas and supposedly immutable situations. UNCTAD was dedicated to the elaboration of new concepts which should cast new light on aspects of international co-operation. The course of events in Eastern Europe was an opportunity for the meeting to promote new perceptions of the development of East-South economic and trade relations.

40. The Community was ready to encourage economic and political reforms in Eastern Europe and to contribute to any action promoting the recovery of these countries, which were undergoing a sometimes dramatic economic crisis. The sine qua non for this was a verified return to democracy through respect for human rights and free and secret elections. These things were interlinked.

41. The unfolding events in the Eastern European countries were rich in potential for their third world partners, whose trade with the socialist countries was stagnating.

42. The establishment of a sound economic base in the socialist countries, more open management, freer external trade, the reduction of non-tariff barriers and the pursuit of convertibility of currencies should be encouraged as representing possibilities for an increase in their trade with developing countries.

43. It would take some time for concrete results to materialize for, however rapid the movement at the onset, it would be gradual and not all countries would proceed at the same pace, as could be seen today.

44. In this context, UNCTAD's work on East-South trade was of particular interest and should be sustained. Yet the solidarity of the Community with Europe as a whole would not be at the expense of solidarity with the developing countries. Solidarity with the South would remain a priority for the Community, which would maintain its commitment to development assistance, in particular that under the Lomé Convention. What was foreseen was an increased rather than a diminished effort to ensure that the developing countries could continue to benefit from the support necessary to enable them to adopt their economies so that when the time came they would be in a better position to profit from the emerging trade prospects.

45. At its third meeting the Group decided to continue its deliberations through informal meetings.

46. At the 4th plenary meeting the expert from Egypt, on behalf of the Group of 77, and the expert from Bulgaria, on behalf of participating countries of Group D (except Hungary), submitted proposals on elements of a programme for further promotion of inter-systems trade (TD/B/AC.45/L.1 and Corr.1 and 2, and TD/B/AC.45/L.3 respectively).

47. At the closing meeting the Chairman announced that the draft proposals submitted by the Group of 77 and the participating countries of Group D (except Hungary), had been discussed in great detail in informal consultations. He regretted to report that, in spite of the efforts made by all parties concerned, including his own submission of a Chairman's text,

these informal consultations had not resulted in an agreed outcome. He noted that the time factor had played an important role. It had hence been agreed by all Regional Group Co-ordinators and China that the draft proposals by the Group of 77 and the participating countries of Group D (except Hungary) should be annexed to the report of the Intergovernmental Group (see annex below).

48. The expert from Bulgaria, speaking on behalf of participating experts from Group D (except Hungary) expressed satisfaction at the constructive spirit that had developed during the formal and informal discussions, which had been quite useful. All groups had contributed to this end. All participants had made serious efforts to reach a positive outcome and some progress had been made. However, the Group had not been able to reach agreement due to some conceptual difficulties. The participating experts from Group D (except Hungary) took note of the fact that during the discussions there had been a wide degree of recognition that East-West-South trade was an integral part of international trade. This trade was affected by factors, phenomena and trends affecting world trade and all other trade flows in this interdependent world. The informal debate demonstrated that all participants had discussed the issues in a pragmatic manner and within the scope of the agenda items. However, the participating experts from Group D (except Hungary) had found that certain observations made were, by virtue of their purely political nature, totally outside the competence of UNCTAD.

49. The expert from Group B (United Kingdom) stated that participants had had an interesting exchange of views. Group B appreciated the open and frank nature of the informal discussions, especially the contributions of the countries of Eastern Europe. Like the other Groups and China, Group B had hoped that an outcome would have proved possible but could understand that, despite the good atmosphere and genuine efforts of all participants, the rapid pace of change in Eastern Europe made it difficult at the present stage to formulate elements of a work programme. Any work programme established in future would have to be kept under review to ensure that it remained relevant and reflected changing conditions.

50. It remained the concern of Group B that UNCTAD's further work in this area should focus on the trade and development prospects of the developing countries through their relations with the countries of Eastern Europe.

51. The expert from the Group of 77 (Egypt) recalled the importance which his Group attached to inter-systems trade and economic co-operation, particularly East-South trade. It strongly believed there was a continuing need to follow up the work and data on inter-systems trade and economic, financial and technical co-operation, particularly with a view to promoting East-South trade. The Group of 77 was fully aware of the fact that UNCTAD's mandate was to promote inter-systems trade, in particular East-South trade. It believed it logical that such trade would be promoted through, inter alia, studying the potential impact of East-West trade and economic technical and financial co-operation, as such a study would promote a good understanding and knowledge for the developing countries to promote their trade with the countries of Eastern Europe. It was unfortunate that such concern on the part of the Group of 77 had not been agreed to by one Group and that there was no concrete outcome regarding the elements of a programme for promotion of inter-systems trade and economic co-operation, particularly East-South co-operation, despite the strenuous efforts of all participants.

52. The Group of 77 believed that its text (see annex below) remained valid for further consideration in intergovernmental work in UNCTAD on this subject. Moreover, it remained open to the possibility of reconvening the Intergovernmental Group in order to fulfil the mandate in Board decision 368 (XXXV). The discussions had been useful and had enriched knowledge of the issues. The Group of 77 hoped that future discussion of the issues would be held in a more co-operative environment.

53. The expert from China expressed regret that despite the efforts of all participants the meeting had not resulted in an agreed outcome. In both the formal and informal discussions there had been a useful exchange of views and a certain degree of transparency had been demonstrated. This would be useful in further discussion of the issues, which, it was to be hoped, would achieve positive results.

54. In a closing address, the Chairman observed that, despite the fact that the Group had been unable to arrive at a collective commitment and agreed conclusions, the fact that there had been a valuable exchange of views was of the highest importance, especially given the circumstances presently surrounding the issues being debated. The question of inter-systems trade had a number of aspects which deserved in-depth study by all concerned. The changes and developments taking place throughout the world - and not just in the countries of Eastern Europe, were a factor which gave substantial grounds for optimism as to the future. There were also other unknown factors at the international level affecting the future of inter-systems trade. This background was very important in the promotion of inter-systems trade and UNCTAD should take it into account in its future activities, adopting a pragmatic and realistic stance and not striving for the impossible. Nevertheless, current developments would not necessarily lead to the demolition of the fundamental principles of inter-systems trade. There were a number of constants which were still valid and would remain so, despite changes in respect of, for example, tarification and prices of goods and services. UNCTAD should reconfirm these fundamentals, which would be essential factors in the promotion of inter-systems trade, and especially East-South co-operation.

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the session

55. The session of the Intergovernmental Group was opened by the Director, Associate Co-ordinator of the International Trade Programmes, on 27 November 1989.

B. Election of officers (Agenda item 1)

56. At the opening meeting, the Group elected Mr. Hani Khallaf (Egypt) as Chairman and Mr. Yuri Isakov (USSR) as Vice-Chairman-cum-Rapporteur.

C. Adoption of the agenda and organization of work (Agenda item 2)

57. Also at the opening meeting the Group adopted the agenda prepared by the UNCTAD secretariat (TD/B/AC.45/1) as follow

1. Election officers;

2. Adoption of the agenda and organization of work;

3. Analysis and evaluation of the existing and evolving trends and potential factors related to inter-systems trade, with a view to identifying the problems and constraints within inter-systems trade, as well as the potential areas and necessary conditions for further expansion of that trade including, inter alia, preference schemes, financing of inter-systems trade and economic co-operation, including payment arrangements and joint ventures;

4. Elaboration of elements of a draft programme for further promotion of trade and economic co-operation among countries having different systems, in particular East-South trade;

5. Recommendations to the Trade and Development Board as to the orientations of the research work of the secretariat, proposals for technical assistance activities and the treatment of specific issues to be included as elements of the programme;

6. Adoption of the report of the Intergovernmental Group of Experts.

D. Membership and attendance

58. The following States members of UNCTAD participated in the meeting: Algeria; Argentina; Australia; Austria; Belgium; Brazil; Bulgaria; Cameroon; Canada; Chile; China; Cuba; Czechoslovakia; Democratic People's Republic of Korea; Denmark; Dominican Republic; Egypt; Ethiopia; Finland; France; German Democratic Republic; Germany, Federal Republic of; Ghana; Greece; Honduras; Hungary; India; Indonesia; Iran (Islamic Republic of); Ireland; Italy; Japan; Lebanon; Libyan Arab Jamahiriya; Madagascar; Mexico; Morocco; Netherlands; Nicaragua; Nigeria; Norway; Panama; Philippines; Portugal;

Republic of Korea; Senegal; Somalia; Spain; Sudan; Sweden; Switzerland; Turkey; Union of Soviet Socialist Republics; United Kingdom of Great Britain and Northern Ireland; United Republic of Tanzania; United States of America.

59. The Economic Commission for Europe; the United Nations Development Programme were represented at the meeting.

60. The following specialized agency was represented at the meeting: International Monetary Fund.

61. The following intergovernmental organization was represented at the meeting: European Economic Community.

62. The following non-governmental organization was represented at the meeting: General Category: Ibero-American Association of Chambers of Commerce.

E. Adoption of the report of the Intergovernmental Group of Experts (Agenda item 6)

63. The Rapporteur having introduced the draft report, the representative of the United States of America said that when, as the text before the Group provided, the Rapporteur was authorized to complete the final version of the report, only procedural issues and actual recording of events were normally included under that authorization. It would be very unusual for the Rapporteur to include anything else. Was it understood, therefore, that adoption of the report would mean that the meeting was substantively over? If not, under what authority had the secretariat kept on interpretation services past 6 p.m. for a meeting which was not a main Committee of the Board?

64. The Chairman noted that the Group had been working in a constructive and co-operative spirit and urged that procedural issues should not be pressed. All were aware that negotiations had still to be concluded.

65. The Director, Associate Co-ordinator, International Trade Programmes, observed that the current meeting was the first intergovernmental group of its type and, legally, its position was similar to that, for example, of the group on restrictive business practices. In conformity with the letter and the spirit of the rules, inter alia, in document TD/B/1154, facilities had been provided in agreement with the Chairman, Group Co-ordinators and China and there was no intention to continue them beyond 9 p.m.

66. The representative of the United States said that his delegation objected to this procedure. It considered the secretariat's decision to be a poor use of UNCTAD's limited resources and formally requested that the Chief of Administration provide a written explanation of it.

67. The Director, Associate Co-ordinator, International Trade Programmes, noted that interpretation services could be revoked forthwith if the Group wished.

68. Immediately following the above exchange, the Group adopted its draft report (TD/B/AC.45/L.2) and authorized the Rapporteur to complete the final version as appropriate.

Annex

PROPOSALS SUBMITTED TO THE INTERGOVERNMENTAL GROUP OF EXPERTS ON FURTHER PROMOTION OF INTER-SYSTEMS TRADE

A. Draft Elements for the Elaboration of a Programme on Promotion of Inter-Systems Trade submitted by Egypt on behalf of the States members of the Group of 77 a/

I. General guidelines for inter-systems trade and economic co-operation, particularly East-South Trade

1. Inter-systems trade constitutes an integral part of world trade.

2. The Intergovernmental Group of Experts acknowledges the diversity of national paths for development.

3. The Intergovernmental Group of Experts acknowledges the need to explore means for developing countries to extract benefits from changes and reforms taking place in the socialist countries of Eastern Europe relevant to their foreign trade sector as well as from new developments in East-West trade, economic, technological and financial co-operation.

4. There is a need to expand the volume and diversify East-South trade. There is also a need to help expand the trade between socialist countries of Eastern Europe and developing countries which have limited scope in such trade at present.

5. There is a need to expand preferential treatment and improve market access to developing countries' exports to socialist countries of Eastern Europe.

6. There is a need to enhance bilateral and multilateral forms of inter-systems trade and economic co-operation.

7. There is a need to enhance technical assistance directed by socialist countries of Eastern Europe towards developing countries and adapt it to the specific development requirements of developing countries.

II. Work Programme for UNCTAD

There is a need to link work done at the intergovernmental level and at the secretariat level on inter-systems trade and economic co-operation, particularly East-South, in the context of UNCTAD.

A. At the Intergovernmental Level

1. UNCTAD should continue to provide a forum for regular multilateral consultations among countries having different social and economic systems in order to review developments and problems in the field of inter-systems trade and economic co-operation, taking into account the trade and development needs of developing countries.

2. It should provide a forum for exchanges of assessments among individual countries of their experiences of inter-systems trade and economic co-operation with a view to strengthening such relations while taking into consideration policy reforms undertaken in inter-systems trade partners and in patterns of inter-systems trade and economic, technical and financial co-operation.

3. It should allow for study of the impact of developments in East-West trade, financial and economic co-operation on East-South trade.

4. It should allow for study of means of promoting commodities, manufactured and semi-manufactured exports of developing countries to socialist countries of Eastern Europe.

5. It should allow for study of means of overcoming the trade deficit of developing countries in their trade with the socialist countries of Eastern Europe.

6. It should ask to receive regular reports from the Economic Commission of Europe on issues in East-West trade and economic co-operation relevant to East-South trade and the interests of developing countries.

7. To continue to regularly assess progress in UNCTAD work on inter-systems trade.

8. To continue to monitor sustainability and strengthening of East-South trade flows.

B. At the secretariat level

1. Research work:

1. To study implications of economic reforms related to the foreign sector in the socialist countries of Eastern Europe as well as of changes in patterns of East-West trade, and economic co-operation and of financial flows to socialist countries of Eastern Europe on East-South trade and the developmental interests of developing countries so as to help developing countries benefit from such changes and reforms.

2. To study means to promote the exports of developing countries of manufactures, semi-manufactures and consumer goods to the socialist countries of Eastern Europe, including possible improvements in preferential schemes extended to such exports.

3. To study means of strengthening and promoting payment arrangements in East-South trade.

4. To study implications of East-West trade, financial and economic co-operation on East-South trade.

5. To explore means of promoting co-operation among economic groupings of the socialist countries of Eastern Europe and the interregional, regional and subregional groupings of developing countries.

6. To study opportunities for potential expansion of East-South trade and economic co-operation in the areas of joint ventures and industrial co-production, transfer of technology and trade in services among developing countries and the socialist countries of Eastern Europe.

2. Technical assistance:

1. There should be an extension of the UNCTAD data base to include separate data on inter-systems trade and economic co-operation to promote East-South trade.

2. To further promote organization of seminars at subregional, regional and interregional levels to promote trade and other forms of economic co-operation among developing countries and socialist countries of Eastern Europe.

3. To request contributing countries to increase financial support of UNCTAD's technical assistance activities in this field.

4. To continue to provide advisory services to developing countries, particularly with a view to helping them derive benefit from potentials of trade and economic co-operation brought about by reforms undertaken in the socialist countries in Eastern Europe and by changes in patterns of East-West trade and economic co-operation.

5. To convene the Intergovernmental Group of Experts or seminars on specific problems concerning East-South trade.

III. Inter-agency co-ordination

1. The need to co-ordinate UNCTAD activities in the field of inter-systems trade, particulalry East-South trade, with UNDP to secure sufficient resources.

2. The need to co-ordinate UNCTAD's technical assistance activities in that domain with the ITC.

3. The need to collaborate further with United Nations regional commissions.

B. Elements for a programme on the promotion of East-West-South Trade submitted by Bulgaria on behalf of participating States members of Group D (except Hungary) b/

I. Orientations for the research and analytical work of the secretariat

1. Impact of trends and factors in the world economy and trade on the status and prospects for promoting East-West-South trade:

- General factors in the world economy and in international trade, such as: interdependence, trade policy environment, indebtedness, finanacial and monetary issues, technological changes and transfer of technology, environment protection;

- Major integration processes;

- Structural adjustment and reform measures in individual countries in all parts of the world.

2. Enhancement of inter-systems trade and economic co-operation, in particular between socialist countries of Eastern Europe and developing countries:

- Promotion of industrial co-operation, including intensification of direct links at the enterprise level, setting up of joint ventures, free economic zones, tripartite East-West-South co-operation, leasing, etc.;

- Impact of East-West trade and economic co-operation on the development of East-South trade and economic co-operation;

- Possibilities for co-operation between regional economic groupings;

- Role of GSP schemes in promoting developing countries' exports of manufactures;

- Demand in Eastern Europe for commodities of major export interest to developing countries;

- Competitiveness of exported goods from developing countries, as well as from socialist countries of Eastern Europe; improvement of marketing techniques;

- Utilization of opportunities offered by the growing economic, technological and investment potential of some developing countries.

II. Technical assistance activities

- Continuation of technical assistance activities with a view to promoting East-South trade and economic co-operation while ensuring, as appropriate, participation in seminars and workshops of representatives of the business sector of the socialist countries of Eastern Europe and of developing countries, as well as participation of experts from developed market-economy countries;

- Up-dating, on a regular basis of the "Manual on trading with socialist countries of Eastern Europe";

- Providing appropriate financial support from all sources, including UNDP, for UNCTAD's technical assistance activities.

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a/ Originally circulated in TD/B/AC.45/L.1 and Corr.1 and 2. See para. 47 above.

b/ Originally circulated in TD/B/AC.45/L.3. See para. 47 above.